

2018 final results

53 weeks ended 1 January 2019

1 March 2019



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William Hill PLC

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Focusing on the opportunity

BUILD A DIGITALLY LED, INTERNATIONALLY DIVERSE GAMBLING COMPANY



Driving digital growth in the UK and internationally



Growing a business of scale in the US



Remodelling Retail



Delivering on our ambition that nobody is harmed by gambling

TO DOUBLE GROUP OPERATING PROFIT BETWEEN 2018 AND 2023

2018 operational highlights

Online

- Good underlying growth, actives +25% year-on-year, mass market focus
- Acquisition of Mr Green: International Online hub, extended European reach, increased diversification, multi-brand opportunity

Retail

- Robust performance in challenging trading conditions
- Ready to implement changes in response to B2 staking limit

US

- Sixth consecutive year of double-digit revenue growth in Nevada
- Only company live in seven regulated states, rapid progress on market access, early launch of mobile

Group

- Sale of Australia: increased management focus, stronger balance sheet
- Transformation programme is substantially complete
- Nobody Harmed: whistle-to-whistle voluntary advertising ban



Financial review

Ruth Prior, CFO

Group income statement

	53 weeks ended 1 Jan 2019 Exc. US Expansion £m	53 weeks ended 1 Jan 2019 US Expansion £m	53 weeks ended 1 Jan 2019 Inc. US Expansion £m	52 weeks ended 26 Dec 2017 £m	% change	
Net revenue	1,609.5	11.8	1,621.3	1,592.8	+2%	→ Good underlying growth offset by enhanced customer due diligence in Online. Resilient Retail in tough trading environment
Cost of sales	(388.1)	(1.6)	(389.7)	(383.5)	+2%	
Gross profit	1,221.4	10.2	1,231.6	1,209.3	+2%	
Net operating expenses	(954.6)	(43.4)	(998.0)	(935.5)	+7%	
Adjusted operating profit	266.8	(33.2)	233.6	273.8	-15%	→ £17m reduction from Online customer due diligence, includes US Expansion losses of £33.2m
Exceptional items and adjustments ¹	(921.5)	-	(921.5)	(90.9)		→ £882.8m impairment of Retail, £31.2m for transformation programme
(Loss)/profit before interest and tax	(654.7)	(33.2)	(687.9)	182.9		
Net finance costs			(34.0)	(36.4)	-7%	
(Loss)/profit before tax			(721.9)	146.5		
Tax			5.8	(4.1)		
(Loss)/profit from continuing ops			(716.1)	142.4		
Profit/(loss) from discontinued ops			3.8	(225.6)		→ 2017 includes Australia impairment charge
(Loss)/profit for the period			(712.3)	(83.2)		
(Loss)/earnings per share (p) ²			(83.6)	16.6		→ Full-year dividend in line with policy to pay out c50% of adjusted earnings excl. US expansion
Adjusted earnings per share (p) ²			20.6	26.1	-21%	
Dividend per share (p)			12.0	13.2	-9%	
Net debt for covenant purposes			308.1	515.2	-40%	

Slide provides an overview of results with both adjusted and statutory measures. Following slides on divisional performance reflect adjusted results, since that is how performance is internally managed and reported

1. Total exceptional items and adjustments of £922.1m disclosed in note 3 of the 2018 annual report includes £0.6m of finance costs

2. (Loss)/earnings per share and adjusted EPS figures are both calculated based on adjusted profit from continuing operations only

Online KPIs – mass market momentum



Key performance indicators	UK			International		
	2018	2017	%	2018	2017	%
Net revenue (£'m)	484.0	475.0	+2%	150.4	141.9	+6%
Unique actives ('000)	2,390.7	1,914.2	+25%	588.4	474.2	+24%
New accounts ('000)	834.8	760.3	+10%	273.1	249.9	+9%
Average revenue per user (£)	202	248	-19%	256	299	-14%
Average cost per acquisition (£)	133	136	-2%	133	142	-6%

- Strong actives growth, particularly in gaming
- ARPU reflects targeting of mass market customers
- Reduced CPA due to volume acquisition and increased marketing efficiency

Online – good underlying performance, impacted by enhanced customer due diligence



	2018 £m	2017 £m	% change	
Sportsbook amounts wagered	4,702.8	4,735.6	-1%	→ Impacted by enhanced customer due diligence. On an adjusted basis, Sportsbook wagering grew 2%
- Sportsbook gross win margin	8.0%	7.6%	+0.4 ppts	→ Good margin driven by favourable pre-match football results
Sportsbook net revenue	318.7	308.3	+3%	→ Sportsbook: UK -1%, International +20% Gaming: UK +5%, International -5%
Gaming net revenue	315.7	308.6	+2%	
Net revenue	634.4	616.9	+3%	→ When adjusted for customer measures, underlying net revenue grew +6%
Cost of sales	(154.1)	(144.6)	+7%	→ Annualisation of the horseracing levy (Apr 17) and Remote Gaming Duty on free bets (Oct 17)
Gross profit	480.3	472.3	+2%	
Operating costs	(350.1)	(339.8)	+3%	
- Employee costs	(45.2)	(51.6)	-12%	
- Marketing	(147.7)	(138.7)	+6%	→ Increased marketing costs predominantly due to World Cup. Marketing spend represents 23% of net revenue (2017: 22%)
- Finance charges	(18.6)	(19.0)	-2%	
- Depreciation and amortisation	(39.0)	(35.0)	+11%	
- Other costs incl. recharges	(99.6)	(95.5)	+4%	→ £4m increase in allocation of central costs
Adjusted operating profit	130.2	132.5	-2%	→ Underlying operating profit growth of 11%
<i>Adjusted operating profit margin</i>	<i>20.5%</i>	<i>21.5%</i>	<i>-1.0 ppt</i>	



Retail – strong cash generation

	2018 £m	2017 £m	% change
Sportsbook amounts wagered ¹	2,195.9	2,310.4	-5%
- Sportsbook gross win margin	18.2%	18.0%	+0.2 ppts
Sportsbook net revenue	398.9	415.4	-4%
Gaming net revenue	496.3	497.7	-0%
Net revenue	895.2	913.1	-2%
Cost of sales	(226.6)	(233.6)	-3%
Gross profit	668.6	679.5	-2%
Operating costs	(518.3)	(518.6)	-0%
- Employee costs	(191.9)	(198.7)	-3%
- Property costs	(104.7)	(102.1)	+3%
- Content costs	(82.8)	(76.6)	+8%
- Depreciation and amortisation	(32.2)	(33.0)	-2%
- Other costs incl. recharges	(106.7)	(108.2)	-1%
Adjusted operating profit	150.3	160.9	-7%
Cash generated²	156.9	147.5	+6%

	2018	2017	% change
Average no. of LBOs	2,333	2,362	-1%
Average no. of machines	9,229	9,313	-1%
Gross win / machine / week ³	£1,015	£1,028	-1%
Gaming gross win margin	3.79%	3.67%	+0.12 ppts

Wagering affected by increased race abandonments and challenging high street conditions, as well as rolling over a period where we had the advantage of exclusive media content

Costs closely controlled, despite inflation and impact of National Living Wage

Increase due to additional live content and inflation

1. Includes amounts wagered over-the-counter and on Self-Service Betting Terminals (SSBTs)
2. Cash generated is calculated as Adjusted operating profit plus depreciation and amortisation, less cash capex and exceptional cash cost
3. Excludes free bets



US update

	Operator			Service Provider			Lottery		
	NV	NJ online	NJ retail	WV ²	MS	PA	DE	RI	Total
Handle (\$m)	1,442.8	62.6	146.4	43.1	41.5	6.7	115.3	14.6	1,873.0
Gross win margin	7.2%	6.6%	6.5%	9.8%	10.8%	4.9%	18.0%	8.4%	8.0%
Market share ¹	32%	8%	37%	95%	36%	32%	100%	100%	34%
Direct revenue ³	✓	✓	✓	✓					
Service provider revenue ³				✓	✓	✓	✓	✓	

Direct handle of \$1,655m
\$3.5m income derived from indirect handle of \$218m

1. Market share figures calculated using monthly data from state regulators for calendar year 2018 and company data
2. West Virginia, William Hill is both operator and service provider, depending on the contract
3. Both of these are recognised as net revenue in the financial statements

William Hill US (local currency) – double-digit revenue and profit growth



	US Existing	US Expansion Retail	US Expansion Online	US Expansion Total	Total US	Total US	% change
	2018 \$m	2018 \$m	2018 \$m	2018 \$m	2018 \$m	2017 \$m	
Amounts wagered	1,442.8	149.9	62.6	212.5	1,655.3	1,152.7	+44%
- Gross win margin	7.2%	6.7%	6.6%	6.7%	7.2%	6.3%	+0.9 ppts
Direct revenue	104.1	9.9	3.5	13.4	117.5	72.9	+61%
Service provider revenue	1.9	1.8	0.0	1.8	3.7	1.8	+106%
Net revenue	106.0	11.7	3.5	15.2	121.2	74.7	+62%
Cost of sales	(9.8)	(1.5)	(0.5)	(2.0)	(11.8)	(6.4)	+84%
Gross profit	96.2	10.2	3.0	13.2	109.4	68.3	+60%
Operating costs ¹	(52.6)	(8.2)	(15.8)	(56.9)	(109.5)	(45.5)	+141%
Operating profit \$m	43.6	2.0	(12.8)	(43.7)	(0.1)	22.8	-100%
Operating profit £m	32.6	1.5	(9.7)	(33.2)	(0.6)	17.7	
Capital investment \$m	3.4	6.7	17.6	25.9	29.3	2.5	

US Existing handle +25% driven by +42% mobile growth

Derived from c\$218m in handle and c\$34m in hold across William Hill operations

US Expansion operating costs in line with guidance

1. Total US Expansion operating costs includes central costs that are not directly attributable to either Retail or Online

Consistently strong operational cash flow

	2018 £m	2017 £m
Cash generation		
Adjusted operating profit	233.6	273.8
Depreciation and amortisation	73.6	72.2
Non-cash share remuneration charge	5.5	5.2
EBITDA	315.2	356.0
Cash exceptional items & working capital	(65.7)	(3.9)
Interest and tax	(46.9)	(64.7)
Pension scheme deficit funding	(8.5)	(9.6)
Capital and investing receipts	230.1	14.6
Capital expenditure	(117.3)	(84.1)
Other	5.5	(0.4)
Discontinued operations	(1.9)	8.7
Free Cash Flow	308.0	211.8
Uses of cash		
Dividends	(113.5)	(108.1)
Other	(1.9)	-
Net Cash Flow	192.6	103.7

cf£65m outflow due to exceptional spend on the transformation programme and the settlement of various provisions and accruals including indirect tax liabilities taken in 2017

Tax payments down c£17m due to sale of Australia, lower US profits and an offset in 2018 of prior year overpayments in the UK and Gibraltar

Sale of Australia and NYX

Cash capex	2018 £m	2017 £m
Online	51.4	43.3
Retail	21.5	28.6
US	28.5	1.9
IT / other	15.9	10.3
Total capex	117.3	84.1

Balance sheet and guidance update

- Dividend
 - Full-year dividend of 12.0p per share
 - 2019 onwards dividend calculated at c50% of Group operating profit, including US Expansion, underpinned at 8p per share
- Guidance update since November
 - Government timetable for Triennial Review and RGD changes brought forward to April 2019
 - Retail: earlier implementation likely to bring 2019 within ongoing £50-70m adjusted operating profit range, mitigation benefits likely to be weighted towards the end of the year
 - Online: earlier increase to RGD reduces adjusted operating profit by c£10m
- The effective tax rate for 2019 is expected to be c12%
- The impact of IFRS 16 will increase adjusted operating profit by c£2-3m
- Net debt to EBITDA of 1.0x at 1 January 2019

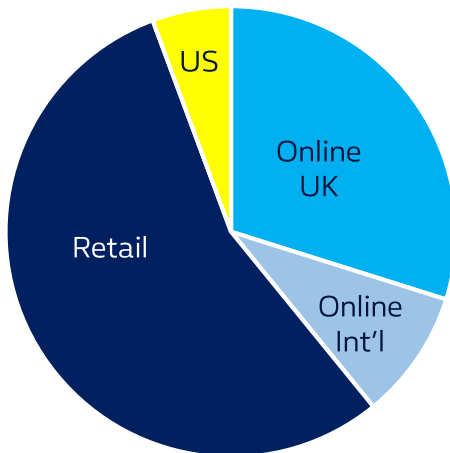


Operating review and strategy

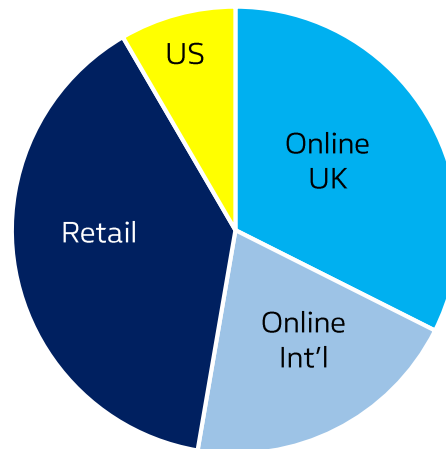
Philip Bowcock, CEO

Focusing on the future

2018 actual revenue split



2019 expected revenue split



Accelerating our strategy to become digitally led and internationally diverse

- Investing in US Expansion as a start-up business
- Building a modern technology stack for the US
- Acquiring Mr Green for ROW expansion

Digital strategy

BUILD THE WORLD'S MOST TRUSTED DIGITAL GAMBLING BRAND

STRATEGIC GOALS

DRIVE REVENUE THROUGH...

- Market leading mobile sportsbook
- Clear William Hill brand position and strong value perception
- Advanced Customer Lifetime Management capabilities and focus on incremental gains
- International expansion

DRIVE CUSTOMER ENGAGEMENT THROUGH...

- Creating a personalised customer relationship with William Hill
- Fair and robust compliance and customer protection
- Significantly improved customer experience across all touch points
- Investment in talent and organisational capabilities

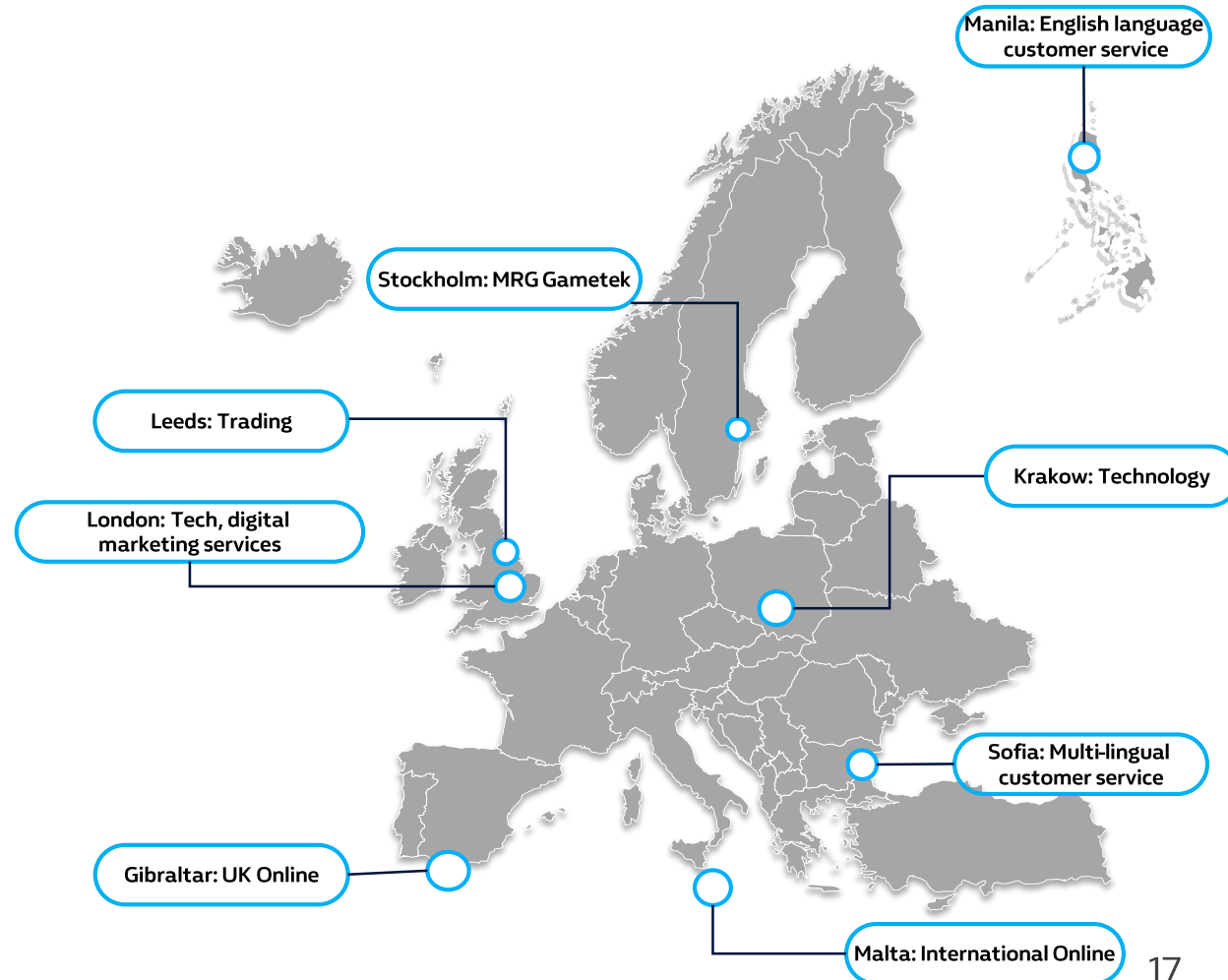
DRIVE OPERATIONAL EXCELLENCE THROUGH...

- Improved marketing effectiveness
- Evolving operating models, simplified ways of working and focus on automation
- Right-sized cost base
- Focus on core business and utilise best in class external tools

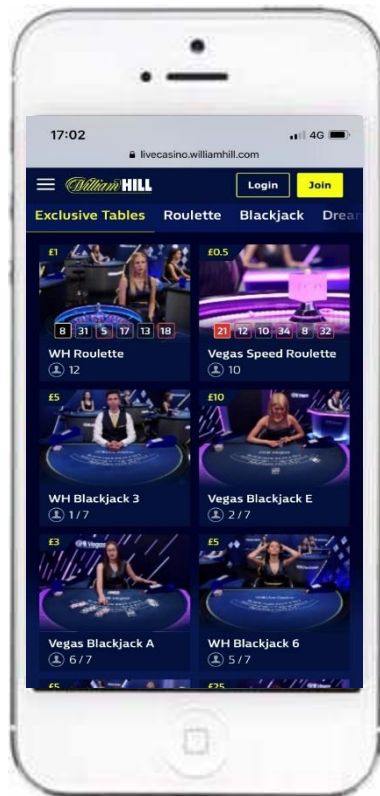
People and organisation



- Opened London hub
 - Closed Tel Aviv
 - Expanding Krakow
-
- Refocusing Gib team on the UK market
 - Establishing Malta as our international hub
-
- Building out key capabilities
 - Product
 - Data
 - Brand
 - Compliance
 - Customer operations



Eyes on the customer



Product

- Strategic Product Council introduced
- New Live Casino studios and lobby
- 500 new games launched
- Automated bet abandonment, faster settlement
- Smart data platform enabling real-time learning

Marketing

- Customer satisfaction index at an all-time high
- Data standardisation for better attribution marketing
- Work on new brand positioning

Responsible gambling

- Expanded Responsible Gambling and Compliance teams and customer interactions
- Advanced daily algorithm to identify at-risk customers

Driving international growth



- Mr Green acquisition completed in January 2019
- Integration underway
- Revenue growth of 40% in 2018
- Now licensed in seven countries – MRG awarded a licence in Sweden on 13 December 2018
- Launching williamhill.se in Q2 2019
- Appointed International Online Managing Director

c24% → **c35%**

International as a percentage
of 2018 Online net revenue

International as a percentage of
2018 Online pro forma net revenue



US strategy

TO BE THE US MARKET LEADER

STRATEGIC GOALS

MARKET ACCESS

- Eldorado: anchor partner with access to 13 states
- IGT: exclusive partner on lottery opportunities
- Golden Entertainment: enhancing Nevada and adding two more states
- 'Switzerland' strategy with other operators to extend reach

OPERATIONAL EXCELLENCE

Digital

- Creation of a digital hub in New Jersey
- Introduce a new proprietary tech platform in 2019

Retail

- Leverage expertise and trust
- Proven ability to become operational quickly as states regulate

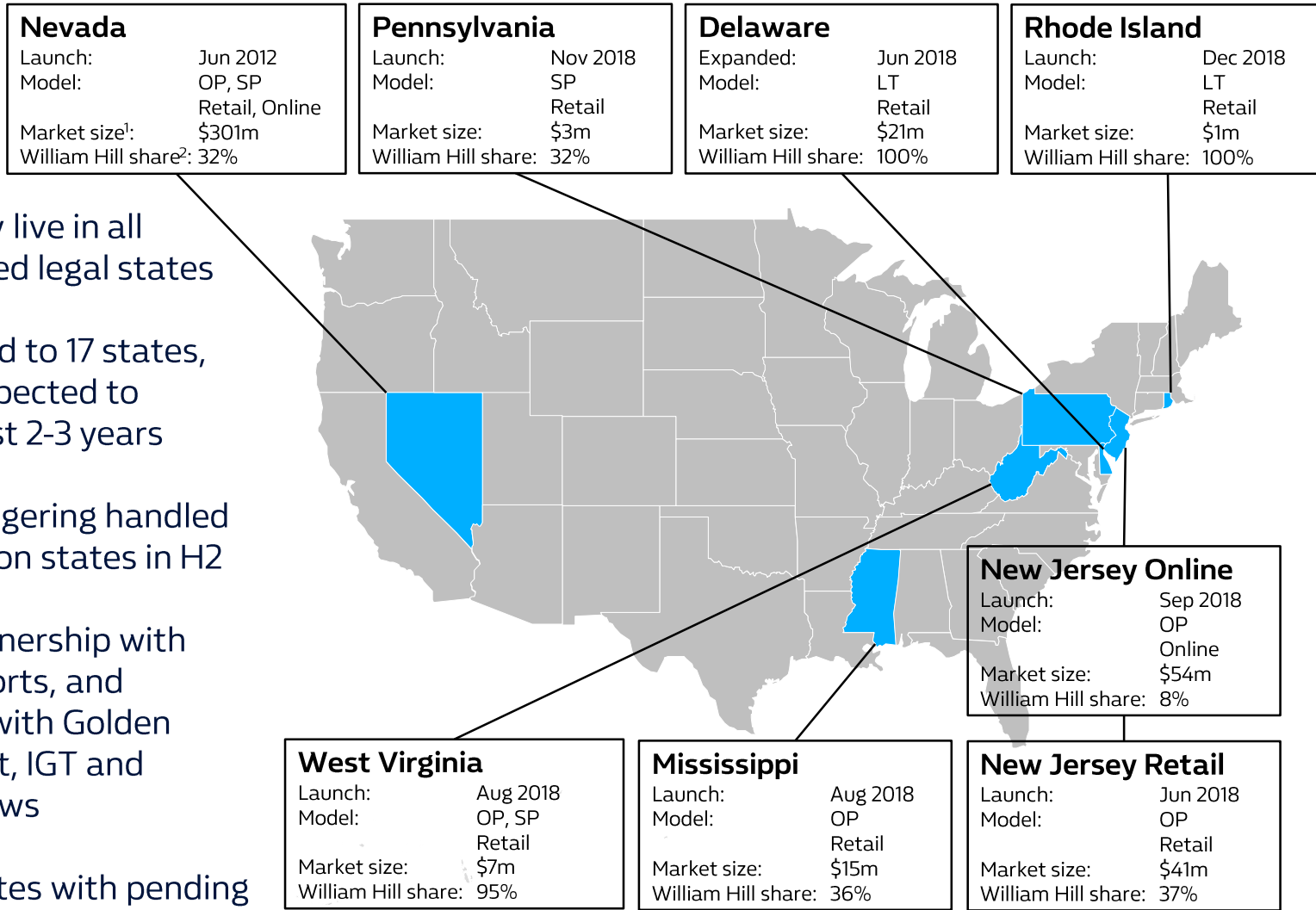
BRAND AND MARKETING

- William Hill brand where possible
- Use 'powered by' strategy when not possible
- Seek media partnership(s) to access sports betting audience
- Partner brands and database leveraged where possible



Key:

- OP** operator
- SP** service provider
- LT** lottery



- Only company live in all seven regulated legal states
- Access secured to 17 states, 15 of those expected to regulate in first 2-3 years
- c\$430m of wagering handled in US Expansion states in H2
- Strategic partnership with Eldorado Resorts, and partnerships with Golden Entertainment, IGT and Prairie Meadows
- 29 further states with pending sports betting legislation

1. Market share figures calculated using monthly data from state regulators for calendar year 2018 and company data
 2. William Hill market share measured by revenue

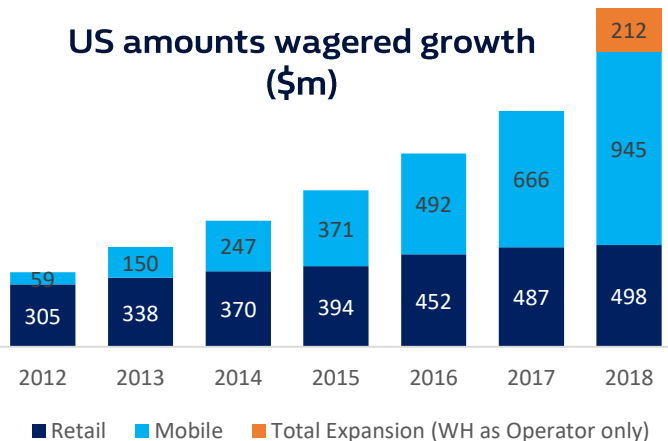


Operational excellence



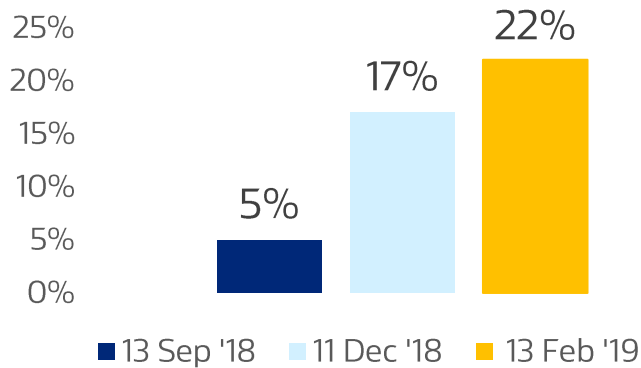
- US Existing amounts wagered CAGR 26% since 2012
- Expanding presence in New Jersey and Nevada
- New Jersey team includes digital marketing, digital operations, local customer support, product / design / development, payments, and compliance
- New hires include Digital President and Chief Marketing Officer
- Integration of delivery for both online and retail
- New technology platform will deliver increased reliability, flexibility and product capability

US amounts wagered growth (\$m)

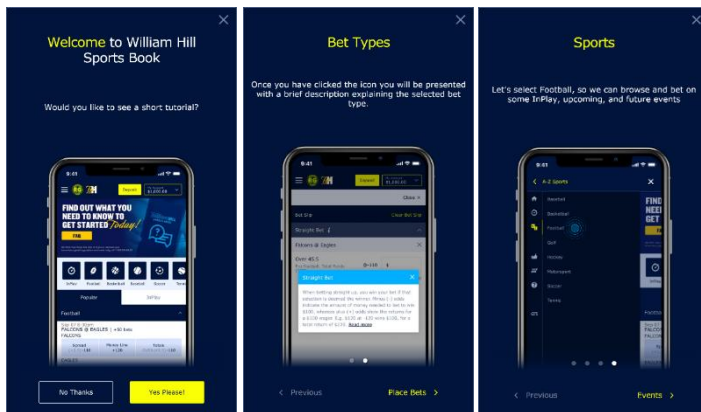




Brand and marketing



- Brand awareness up to 22% in February 2019¹
- Marketing in New Jersey across a variety of channels:
 - TV
 - Radio
 - Digital
 - Street teams



- Leveraging perception of trust and heritage associated with William Hill brand
- Strong focus on community and educating the sports fan

1. From the New Jersey Sports Betting Brand & Media Tracker. Survey among NJ residents 21+ that are not sports gambling rejectors. Data represented as past 7 or 14 day average (depending on base size for period) based on the question: *Which of the following sport betting companies are you aware of?* (Aided Awareness).



Remodelling Retail



- Gaming
 - Ready for £2 implementation on 1 April
 - B3 content increased to 38% of gaming revenues
- SSBTs
 - 15% of total stakes and over 50% of football stakes from SSBTs
 - Seven new sports, 18 in total and customer features, e.g., Betting Buddy
 - 611 new terminals rolled out in year, bringing total to 3,772

Nobody Harmed: whistle-to-whistle advertising ban



- Voluntary whistle-to-whistle advertising ban
- Industry-wide initiative agreed ahead of any regulation
- Responds to concerns about tone, volume and impact on young people
- A big and visible step towards our Nobody Harmed ambition
- Reduction in reach pre-watershed

Summary

- Good underlying top line momentum in Online
- Mr Green provides a base for accelerated international growth
- Retail ready for new £2 stake limit and to compete for market share
- Seizing the emerging opportunity in the US
- Pipeline of safer gambling measures for customers

Q&A

Philip Bowcock, CEO
Ruth Prior, CFO



Appendices

Adjusted results	Adjusted results means results before exceptional items and adjustments, as described in note 3 to the financial statements
Amortisation	Where operating expenses, operating profit or EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised on acquisition
Amounts wagered	This is an industry term that represents the gross takings on sports betting
ARPU	Average net revenue per user
Adjusted earnings per share (EPS)	Adjusted EPS is based upon adjusted profits after tax. Further detail on adjusted measures is provided in note 3 to the financial statements
Basic EPS	Basic EPS is based on an average of 856.9 million shares for 2017 and an average of 871.8 million shares for 2016
Cost per acquisition (CPA)	Marketing costs (including affiliates but excluding FVAs) divided by the number of new accounts recorded in the period
EBITDA	Earnings before interest, tax, depreciation and amortisation. EBITDA for covenant purposes is adjusted earnings before depreciation and amortisation, and share remuneration charges
FVAs	Fair value adjustments. These are principally free bets, which are recorded as a cost between gross win and net revenue
Gross win	Gross win is an industry measure calculated as total customer stakes less customer winnings. It differs from net revenue in that it is stated prior to deductions for free bets and customer bonuses
Gross win margin / net revenue margin	This is a measure, inter alia, of the effect of sporting results on the business. The margin is defined as gross win/net revenue as a percentage of amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers
Adjusted operating profit	Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3 to the financial statements
OTC	Retail over-the-counter largely constitutes bets placed on sporting events, virtual events and lottery-style numbers games
Net debt for covenant purposes	Borrowings plus counter-indemnity obligations under bank guarantees less cash adjusted for customer funds and other restricted balances. Further detail is provided in note 23 to the financial statements
Net revenue	This is an industry term equivalent to 'Revenue' as described in the notes to the financial statements. It is equivalent to gross win less fair value adjustments, which are principally free bets
New accounts	Customers who registered and deposited within the reporting period
PBIT	Profit before interest and tax
Sportsbook	Bets placed and accepted by Online on sporting and other events, or via OTC and SSBTs in Retail
SSBT	Self-service betting terminal
Unique active players	Customers who placed a bet within the reporting period